



Federal Deposit Insurance Corporation
550 17th Street, NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-54-2020
May 8, 2020

Interagency Policy Statement on Allowances for Credit Losses

Summary: The federal financial institution regulatory agencies have jointly issued the attached final *Interagency Policy Statement on Allowances for Credit Losses* (interagency policy statement). The agencies adopted this policy statement in response to changes in the accounting for credit losses under U.S. generally accepted accounting principles (U.S. GAAP).

Statement of Applicability to Institutions With Total Assets Under \$1 Billion: This Financial Institution Letter (FIL) applies to all FDIC-supervised institutions.

Distribution:

FDIC-Supervised Institutions

Suggested Routing:

Chief Executive Officer
Chief Financial Officer
Chief Credit Officer
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Related Topics:

[FIL-59-2019, October 17, 2019, Proposed Interagency Policy Statement on Allowances for Credit Losses](#)

[FIL-20-2019, April 3, 2019, New Accounting Standard on Credit Losses: Frequently Asked Questions](#)

[FIL-39-2016, June 17, 2016, Joint Statement on the New Accounting Standard on Financial Instruments – Credit Losses](#)

Attachment:

[Interagency Policy Statement on Allowances for Credit Losses](#)

Contact:

Division of Risk Management Supervision:

Shannon Beattie, Deputy Chief Accountant, (781) 361-3150 or sbeattie@fdic.gov

John Rieger, Chief Accountant, jrieger@fdic.gov

Andrew Overton, Examination Specialist, (202) 256-9989 or aoverton@fdic.gov

Note:

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Highlights:

- In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-13, which introduces the current expected credit losses (CECL) methodology and replaces the existing incurred loss methodology in U.S. GAAP. The FASB has codified these changes, including subsequent amendments, in *Accounting Standards Codification Topic 326, Financial Instruments – Credit Losses* (FASB ASC Topic 326).
- The interagency policy statement:
 - Describes the CECL methodology for determining allowances for credit losses (ACLs) on financial assets measured at amortized cost (including loans held for investment and held-to-maturity debt securities), net investments in leases, and certain off-balance-sheet credit exposures in accordance with FASB ASC Subtopic 326-20;
 - Explains the estimation of an ACL for an impaired available-for-sale debt security in accordance with FASB ASC Subtopic 326-30; and
 - Includes and updates concepts and practices detailed in the existing December 2006 *Interagency Policy Statement on the Allowance for Loan and Lease Losses* (2006 allowance policy statement) and July 2001 *Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions* that remain relevant under FASB ASC Topic 326.
- The principles described in the interagency policy statement are consistent with U.S. GAAP, regulatory reporting requirements, safe-and-sound banking practices, and the agencies' codified guidelines establishing standards for safety and soundness.
- An attachment to the 2006 allowance policy statement on loan review systems has been superseded by separate interagency guidance on credit risk review systems.
- The interagency policy statement will take effect at the time of each institution's adoption of FASB ASC Topic 326, which may be delayed in accordance with Section 4014 of the Coronavirus Aid, Relief, and Economic Security Act.